

Message Text

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17

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 CAB-02 CIAE-00 DODE-00 DOTE-00

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R 070825Z SEP 75N

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 3616

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

USDOC WASHDC

USINT BAGHDAD

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BEIRUT FOR RCAA

E.O. 11652: N/A

TAGS: EAIR, ECIN, KU

SUBJ: KUWAIT AIRWAYS DEVELOPEMENTS: EXPANSION, REGIONAL
COOPERATION, AND PROFIT LEVEL

REF: A. KUWAIT 0167 B. KUWAIT 2246 C. KUWAIT 2252
D. KUWAIT 3043

SUMMARY: IN CONVERSATION WITH KAC PLANNING DEPARTMENT CHIEF
MAHMOOD MIRZA, EMBOFF DISCUSSED EXPANSION PLANS, REGIONAL
CARGO AIRLINE, AND GENERAL OPERATING PHILOSOPHY OF KUWAIT'S
NATIONAL CARRIER. CAUTION APPEARS TO BE HALLMARK IN ALL THREE
AREAS: MIRZA STILL OPPOSED PURCHASE OF WIDE-BODIES AIRCRAFT;
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PLANS FOR REGIONAL AIR COOPERATION ARE STILL IN THE DISCUSSION

STAGE; AND REVENUE AND PROFIT FIGURES REFLECT KAC EMPHASIS ON PROFIT, NOT PRESTIGE. END SUMMARY.

1. IN SEPERATE CONVERSATIONS WITH KUWAIT AIRWAYS COPORATION'S (KAC) DIRECTOR OF PLANNING, MAHMOOD MIRZA, AND WITH REPRESENTATIVE OF AIRCRAFT MANUFACTURING COMPANY WHO HAD JUST VISITED FAISAL AL-FULAIJ, CHAIRMAN OF THE BOARD AND MANAGEING DIRECTOR OF KAC, EMBOFF DISCUSSED PURCHASE OF WIDE-BODIED AIRCRAFT AND REGIONAL COOPERATION WITH OTHER GULF STATES (REFS B, C).

2. ON PURCHASE OF WIDE-BODIED AIRCRAFT, MIRZA REITERATED HIS POSITION (REFTEL B) THAT SUCH JETS WOULD BE UNECONOMIC, BECAUSE OF OVEREXPANSION OF CAPACITY BROUGHT ON BY NEIGHBORING AIRLINES (MEA, TMA, GULF AIR, IRAN AIR, SAUDI) PURCHASE LF SUCH PLANES. MIRZA ACKNOWLEDGED THAT KAC HAS BEEN FACED WITH TWO CAPACITY PROBLEMS: Q. THE THREE-MONTH SUMMER VACATION PERIOD, IN WHICH KAC IS HARD PUT TO ARRANGE ARRIVAL AND DEPARTURE TIMES PREFERRED BY VACATIONERS, I.E., DAYLIGHT HOURS; AND 2. THE ADDITION OF THREE NEW ROUTES, ONE TO NORTH AFRICA VIA CAIRO, ANOTHER TO NORTH AFRICA VIA BEIRUT AND TRIPOLI (LIBYA), AND A THIRD TO JIDDA AND KHARTOUM. BUT, ACCORDING TO MIRZA, EVEN THESE PROBLEMS COULD BE MET BY THE PURCHASE OF ITS PRESENT BRITISH MIDLANDS WET LEASE 707 PLUS THE PURCHASE OF ANOTHER 707 FROM PAM AM, THUS BRING KAC'S TOTAL 707 FLEET TO 7 PLANES (REF D).

3. MIGZA HERE APPEARS TO BE CONTRADICTING KAC CHAIRMAN FEISAL AL-FULAIJ, WHO STATED THAT WIDE-BODIED JETS WERE NEEDED TO COPE WITH THE NORTH AFRICAN EXPANSION. ALSO, IT SHOULD BE MENTIONED THAT AIRCRAFT SALES REP CONFIRMED THAT KAC STILL IN MARKET FOR WIDE-BODIED JETS, AND THAT A DECISION ON THE MATTER WAS DUE THE FIRST OF NEXT YEAR (1976).

4. REGARDING ESTABLISHMENT OF REGIONAL CARGO AIRLINE, COMMUNICATIONS MINISTERS FROM SIX GULF STATES (KUWAIT, SAUDI ARABIA, BAHRAIN, QATAR, OMAN AND THE UNITED ARAB EMIRATES) MET AT THE OASIS OF AL-AIN IN UAE ON JUNE 20, 1975 FOR DISCUSSIONS OF THE SUBJECT. DURING THE MEETING , KUWAIT OFFERED TO BUY THE 30 PERCENT BRITISH AIRWAYS SHARE OF GULF AIR, AS A WAY OF EFFECTING THE MERGER OF THE TWO AIRLINES. MIRZA STATED THAT NOTHING NEW HAD DEVELOPED SINCE THEN, AND THAT PROPOSAL WAS STILL IN THE LIMITED OFFICIAL USE

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DISCUSSION STAGE. IN GENERAL, MIRZA SEEMED NON-COMMITTAL ABOUT THE PROPOSAL IN CONTRAST TO WHAT WAS REPORTED IN REFTTEL C.

5. FINALLY "KAC NEWS" FOR AUGUST CARRIED AN ARTICLE ON THE MAIN ARAB GALF OFF-LINES--KAC, GULF AIR, SAUDIA, AND MIDDLE EAST AIRWAYS (MEA). THE INFORMATION INCLUDES PROFIT LEVEL FIGURES, WHICH CONTRASTS WITH INFORMATION IN REFTTEL A; ACCORDING TO "KAC NEWS":

OPERATING		PROFIT		NUMBER
REVENUE	PERCENT	(LOSS)		
(\$000,000)	INCR.	(\$000,000)		EMPLOYEES

'73	'74	'73	'74	'74
-----	-----	-----	-----	-----

KAC	49	19	15	7	15	1,780
GULF AIR	13	38	194	1	(.7)	2,260
SAUDIA	104	134	29	3	5	3,200
MEA	124	169	37	13	14	5,258

6. MIRZA EMPHASIZED FACT THAT KAC HAD MADE AN ANNUAL PROFIT EVER SINCE 1968, AND THAT ECONOMICS, NOT PRESTIGE, WAS PRIME MOTIVATING FACTOR IN KAC DECISION-MAKING. ACCORDING TO MIRZA, DOMINANT PHILOSOPHY AT KAC WAS CAUTION. THE ABOVE FIGURES SEEM TO BEAR OUT THIS VIEW. THOUGHT KAC IS SMALLER THAN OTHER GULF REGION AIRLINES, ITS PROFITS ARE THE HIGHEST. INTERESTINGLY ENOUGH, THE RATE OF INCREASE ('73-'74) IN OPERATING REVENUE WAS ALSO THE SMALLEST.

7. COMMENT: PROFIT AND CAUTION DO INDEED SEEM TO KAC'S OPERATING HALLMARKS. NEVERTHELESS, KAC, PARTICULARLY CHAIRMAN FULAIJ, NOT TOTALLY UNAWARE OF PRESTIGE FACTORS. MOREOVER, FULAIJ, MORE THAN MIRZA, IS LIKELY TO RECOGNIZE THAT EVENTUALLY AS SAUDIA, GULF AIR AND MEA BECOME KNOWN FOR THEIR WIDE-BODIED JETS, PRESSURE MAY BUILD LOCALLY FOR KAC ALSO TO HAVE SUCH AIRCRAFT. PERHAPS A THIRD CHARACTERISTIC, PATIENCE, SHOULD ALSO BE INCLUDED TO DESCRIBE KAC. COMPANY OFFICIALS WILLING TO WAIT BEFORE MAKING FINAL DECISION.

8. IT SHOULD ALSO BE NOTED THAT KAC MANAGEMENT PROBABLY HAS BEEN WAITING TO SEE IF CAB WOULD APPROVE NORTH ATLANTIC ROUTE FOR LIMITED OFFICIAL USE

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KAC. NOW THAT NEGATIVE RESPONSE HAS BEEN RECEIVED, FINAL DECISION, PERHAPS FAVORING LOCKHEED L-1011 OVER BOING 747 MAY BE TAKEN.
MAU

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